

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JULY 25, 2002

PRESENT: Chairman John Byrne and Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Accountant

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Craig explained that there was a discrepancy with last year's numbers being recorded higher than they actually were. This will be investigated further.

The SA1000 report for the week ending July 22, 2002 shows retail sales were up 2.8%, on-premise sales were up almost 6%, off-premise sales were down -.26%, and total aggregate sales were up about 1.35%. The traffic count decreased by 2,345, while the average sale was up by \$1.56.

The W-1 Total Weekly Sales report for the same week confirms total sales were up 1.35% or \$97,294 for the week, as they did for the year by 7.72% or \$1,590,637. Wine sales increased for the week by 10.9% or \$327,197, and also increased 16.15% or \$1,390,949 for the year. Sales of spirits were down -2.95% or (\$126,029) on a weekly basis, but showed an increase year-to-date of 4.17% or \$507,799.

B. Budget Reports:

A review of the current Outstanding Depletions and Post-Off's report shows two brokers with outstanding balances. Payment is expected to be received sometime this week.

An analysis made of cash and credit sales was made for the period 7/19/02 through 7/21/02, which totaled \$2.9 million.

C. Asbestos Project:

Two proposals have been received for removal of asbestos in the boiler room. Nobis Engineering, which has been assisting in reviewing the proposals, has recommended D.L. King at a cost of \$3,900. Although they are the higher priced of the two, their proposal reflects more experience and thoroughness and better containment procedures. It was moved by Commissioner Maiola,

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seconded by Commissioner Russell, that this recommendation be approved. The motion was unanimously adopted.

There was a meeting held this morning with Mike Ablowich, State Treasurer, regarding the use of armored cars to transport money from stores to banks, initially at the top eight stores. Citizens Bank has made a proposal to provide this service. Cost procedures for normal pick-up would be about \$70,000 on the high side. Mr. Ablow will do a more defined financial analysis, and Craig will come back to the Commission with this information. Commissioner Russell expressed concern for store personnel making bank deposits, especially during evening hours. John Bunnell commented that it would still be necessary for workers to go to the bank to get change, and that two people are required to go together. However, there would still be a savings on mileage. Peter also mentioned that there are predetermined times when money has to leave the store.

The latest W-6 Expense Budget Activity Variance Report indicates targeted expenditures to be at about 6.3%, with actual agency expenditures at 5.09%. George said there are no problems at this point.

Accounting is still working on completing financial reports. Also, last week an inquiry was received about the RFP for credit cards.

2. IT Reports

Howard reported there continue to be problems with the Unix server. Two fans failed, which were replaced on Tuesday, and then the system did not boot correctly. It still is not quite right, and IT personnel will be working on the system in the morning. The testing on the new equipment, however, is going fine.

Howard distributed two documents for review. The first was an inquiry available for purchases made by a licensee, which only takes a few minutes to run. The other showed the ranking of the top 25 licensees and how product is moving over the past nine years. The Chairman asked to have the top 25 list posted on the web site, minus the numbers.

II. MARKETING & SALES REPORTS

1. Store Operations

No report given.

2. Warehouse Report

Concord Warehouse stock is up 73% due to deliveries of Kahlua. There have been no large buy-ins to date.

3. Purchasing Report

John commented that distribution of the current out-of-stock report had been delayed, but would be available later in the day. He said Rick Gerrish has been working on delivery problems regarding Sauza and Jack Daniels products.

4. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Brilliant Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./White Diamond Spirits, Inc., for a new test market product listing for Brilliant Imported Vodka, 750ML size (assigned four-digit Code #3280), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Kahlua Especial):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq USA, for a new test market product listing for Kahlua Especial, 750ML size (assigned four-digit Code #5334), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Herradura Reposado Tequila):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Sazerac Company, Inc., for a new test market product listing for Herradura Reposado Tequila, 750ML size (assigned two-digit Code #63), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (3 flavors – Cruzan Rum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti

Companies of N.H./Todhunter Imports, for new test market product listings for the following 750ML size products, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Cruzan Banana Rum (assigned four-digit Code #4415); Cruzan Vanilla Rum (assigned four-digit Code #4421); and Cruzan Citrus Rum (assigned four-digit Code #4420). The motion was unanimously adopted.

e. Test Market Request (Stoli Strawberry):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company/Allied Domecq USA, Inc. for a new test market product listing for Stoli Strawberry Vodka, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) October Wine Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the placement of all 750ML wines on sale at 10% off, when purchased in a mixed or matched case of twelve (12) or more bottles, during the October Wine Sale, scheduled for the period of Monday, September 30 through Sunday, October 27, 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Introductory Offer for Wallaby Creek 1.5 Liters:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special introductory offer from United Beverages, Inc., based on special purchase allowances for Code #36736, Wallaby Creek Shiraz and Code #36734, Wallaby Creek Chardonnay, 1.5L sizes, during the months of September and October 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for the Month of September 2002:

a. 3 items (additional special offers) – Horizon Beverage Co.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve additional special offers from

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Horizon Beverage Company, based upon depletions of three (3) wine items, to be featured on sale during September 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 8 items – Seabreeze Cellars:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Seabreeze Cellars, based upon depletions of eight (8) wine items, to be featured on sale during September 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 30 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of thirty (30) wine items, to be featured on sale during September 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 75 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of seventy-five (75) wine items, to be featured on sale during September 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 69 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of sixty-nine (69) wine items, to be featured on sale during September 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Recommended Wine Specialty Products (20 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of twenty (20) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Not Recommended – Wine Specialty Products (3 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the list of three (3) wine codes which are not recommended as wine specialty products, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Allocated and Restricted Wines for Distribution to Selected Stores (19 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve nineteen (19) allocated and restricted wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Primary Source Submissions (2 items – primary source; 8 items – exclusive agent; 1 item – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, eight (8) wine codes which are not from primary source, but are offered by the exclusive marketing agent and 1 item which is not from primary source, but is imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all reviewed requests for bailment releases/transfers dated July 19 through July 25, 2002. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all reviewed coupon (pad, necker and consumer offer) requests for the month of August 2002. The motion was unanimously adopted.

3. Late Items:

a. Special Offers (2 additional – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of two (2) additional spirit items, without matching funds, to be featured on sale during September 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Appeals of Wine Delisting Notice as of 4/28/02:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a change from retail to wine specialty status for seventeen (17) wine codes which received warning/delist notices as of April 28, 2002 and subsequent appeals from brokers, as recommended by Kathleen Hass, Director of Purchasing and Nicole Horton, Wine Marketing Specialist, and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

Patricia T. Russell, Commissioner

